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AP RENTALS HOLDINGS LIMITED

亞積邦租賃控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1496)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	83,557	68,486
Gross profit	26,685	9,856
Profit for the period	7,367	108
Profit margin	8.8%	0.2%
Total comprehensive income for the period	5,842	351
Earnings per share		
Basic (<i>HK cents</i>)	0.85	0.01

INTERIM RESULTS

The board of directors (the “**Board**”) of AP Rentals Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 together with its comparative figures for the corresponding period in 2021.

* *For identification purposes only*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		Six months ended	
		30 September	
	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3A		
Goods and services		25,308	22,001
Leasing of equipment		58,249	46,485
		<u>83,557</u>	<u>68,486</u>
Total Revenue		83,557	68,486
Cost of sales and services		<u>(56,872)</u>	<u>(58,630)</u>
Gross profit		26,685	9,856
Other income	4	2,916	472
Other gains and losses	5	7,135	6,515
Impairment losses recognised on property, plant and equipment		(1,786)	–
(Impairment losses) reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net		(8,622)	166
Administrative expenses		(17,780)	(16,603)
Selling and distribution expenses		(332)	(298)
Finance costs	6	(682)	(689)
		<u>7,534</u>	<u>(581)</u>
Profit (loss) before tax		7,534	(581)
Income tax (expense) credit	7	(167)	689
		<u>7,367</u>	<u>108</u>
Profit for the period	8	7,367	108
Other comprehensive (expense) income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,525)	243
		<u>5,842</u>	<u>351</u>
Total comprehensive income for the period		5,842	351
Earnings per share			
— Basic (<i>HK cents</i>)	9	<u>0.85</u>	<u>0.01</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		199,968	193,812
Right-of-use assets		1,568	3,348
Prepayments and deposits paid for acquisition of property, plant and equipment	<i>11</i>	455	2,455
Rental deposits paid	<i>11</i>	650	650
Deposit placed for a life insurance policy		2,951	2,919
Deferred tax assets		138	138
		205,730	203,322
Current Assets			
Inventories		16,922	22,308
Trade and other receivables, deposits and prepayments	<i>11</i>	40,842	36,963
Pledged bank deposit		360	360
Bank balances and cash		54,614	55,717
		112,738	115,348
Current Liabilities			
Trade and other payables and accrued charges	<i>12</i>	32,059	34,839
Contract liabilities		636	7,965
Receipts in advance		13,987	4,663
Deferred income		628	–
Tax liabilities		780	1,097
Obligations under finance leases		2,628	–
Borrowings — due within one year		22,569	25,213
Loans from a related company	<i>14</i>	–	2,829
Lease liabilities		1,051	2,509
		74,338	79,115
Net Current Assets		38,400	36,233
Total Assets less Current Liabilities		244,130	239,555

		As at 30 September 2022 <i>NOTES</i> HK\$'000 (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current Liabilities			
Borrowings	12	1,580	2,482
Deferred tax liabilities		23,881	23,885
Lease liabilities		568	929
		<u>26,029</u>	<u>27,296</u>
Net Assets		<u>218,101</u>	<u>212,259</u>
Capital and Reserves			
Issued capital	13	864	864
Reserves		217,237	211,395
Total Equity		<u>218,101</u>	<u>212,259</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except as described below:

— Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current and prior periods has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3A. REVENUE

For the six months ended 30 September 2022 (Unaudited)

The Group's revenue represents the net amounts received or receivable for equipment leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue is as follows:

	Trading <i>HK\$'000</i> (unaudited)	Leasing <i>HK\$'000</i> (unaudited)
Leasing of equipment	–	58,249
Sales of machinery and parts	11,172	–
Operating service income	–	8,713
Other service income	–	5,423
	<hr/>	<hr/>
Total	11,172	72,385
	<hr/> <hr/>	<hr/> <hr/>
Geographical Markets		
Hong Kong	10,939	66,972
Macau	233	1,934
The People's Republic of China (excluding Hong Kong, Macau and Taiwan) for the purpose of this announcement ("PRC")	–	366
Singapore	–	3,113
	<hr/>	<hr/>
Total	11,172	72,385
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	11,172	2,809
Over time	–	11,327
	<hr/>	<hr/>
Leasing income of equipment	–	58,249
	<hr/>	<hr/>
Total	11,172	72,385
	<hr/> <hr/>	<hr/> <hr/>

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities that are regularly reviewed by the chief operating decision maker for the purpose of resources allocation and assessment of performance.

For the six months ended 30 September 2021 (Unaudited)

The Group's revenue represents the net amounts received or receivable for equipment leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue is as follows:

	Trading <i>HK\$'000</i> (unaudited)	Leasing <i>HK\$'000</i> (unaudited)
Leasing of equipment	–	46,485
Sales of machinery and parts	13,739	–
Operating service income	–	5,222
Other service income	–	3,040
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>
Geographical Markets		
Hong Kong	13,703	48,336
Macau	15	3,814
PRC	21	583
Singapore	–	2,014
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	13,739	2,946
Over time	–	5,316
	<hr/>	<hr/>
Leasing income of equipment	–	46,485
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities that are regularly reviewed by the chief operating decision maker for the purpose of resources allocation and assessment of performance.

3B. SEGMENT INFORMATION

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

Leasing — Leasing of equipment, and related operating and other services

Trading — Sales of machinery and parts

Segment information about these reportable and operating segments is presented below:

Segment revenue and results

For the six months ended 30 September 2022 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue from external customers	<u>72,385</u>	<u>11,172</u>	<u>83,557</u>
Results			
Segment results	<u>18,414</u>	<u>2,932</u>	21,346
Unallocated income			405
Unallocated expenses			<u>(14,217)</u>
Condensed consolidated profit before tax of the Group			<u>7,534</u>

For the six months ended 30 September 2021 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue from external customers	<u>54,747</u>	<u>13,739</u>	<u>68,486</u>
Results			
Segment results	<u>11,956</u>	<u>987</u>	12,943
Unallocated income			142
Unallocated expenses			<u>(13,666)</u>
Condensed consolidated loss before tax of the Group			<u>(581)</u>

Segment results represent the profit earned by each segment without allocation of interest income and certain sundry income, exchange gain or loss and central administration expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance.

The chief operating decision maker makes decisions accounting to operating results of each segment. No analysis of segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Other segment information

For the six months ended 30 September 2022 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results:				
Impairment losses recognised on property, plant and equipment	1,786	–	–	1,786
Impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	8,335	287	–	8,622
Depreciation of property, plant and equipment	24,787	723	261	25,771
Depreciation of right-of-use assets	1,500	44	46	1,590
Gain on disposal of property, plant and equipment	<u>5,606</u>	<u>–</u>	<u>–</u>	<u>5,606</u>

For the six months ended 30 September 2021 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results:				
Impairment losses recognised on property, plant and equipment	–	–	–	–
Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	166	–	–	166
Depreciation of property, plant and equipment	26,696	3	466	27,165
Depreciation of right-of-use assets	1,530	–	26	1,556
Gain on disposal of property, plant and equipment	<u>6,430</u>	<u>–</u>	<u>–</u>	<u>6,430</u>

Geographical information

For the six months ended 30 September (Unaudited)

The Group's revenue from external customers is mainly derived from customers located in Hong Kong, Macau, PRC and Singapore, which is determined based on the location of customers.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
External revenue:		
Hong Kong	77,911	62,039
Macau	2,167	3,829
PRC	366	604
Singapore	3,113	2,014
	<u>83,557</u>	<u>68,486</u>

The Group's non-current assets based on the geographical location of the group companies owning these assets are as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current assets:		
Hong Kong	185,980	178,980
Macau	3,441	4,208
PRC	10,622	14,197
Singapore	1,948	2,230
	<u>201,991</u>	<u>199,615</u>

Note: Non-current assets excluded rental deposits paid, deposit placed for a life insurance policy and deferred tax assets.

4. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from		
— bank deposits	15	13
— deposit placed for a life insurance policy	48	47
Government subsidies (<i>note</i>)	2,603	7
Sundry income	250	405
	<u>2,916</u>	<u>472</u>

Note: The government subsidies recorded by the Group for the six months ended 30 September 2022 represented the wage subsidies provided by the governments of Hong Kong in the amount of HK\$2,106,000 and Macau in the amount of MOP500,000 (which is equivalent to HK\$485,000) to support the employment and to help business tide over financial difficulties due to the Covid-19 pandemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria. They also include an amortised amount of HK\$11,600 (being amortised on straight-line basis over the remaining useful life of the equipment) from the fund received from the Construction Innovation and Technology Fund for the purchase of pre-approved equipment, which was recorded by the Group for the six months ended 30 September 2022.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	1,529	85
Gain on disposal of property, plant and equipment	5,606	6,430
	<u>7,135</u>	<u>6,515</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on borrowings	554	293
Interest on finance leases	22	–
Interest on lease liabilities	18	85
Interest on interest bearing trade payables	88	223
Imputed interest on loans from a related company (<i>note 14</i>)	–	88
	682	689
	682	689

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	171	1,204
Macau Complementary Income Tax	–	–
	171	1,204
Deferred tax	(4)	(1,893)
	167	(689)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. However, the two-tiered profits tax rates regime is implemented from 1 April 2018 onwards. The profits tax rate for the first HK\$2 million of profits of corporations is lower to 8.25%. Profits above that amount is subject to the tax rate of 16.5%.

For the subsidiary registered in Singapore which is subject to Singapore income tax at 17% (2021: 17%), no provision for Singapore income tax had been made as it had no assessable profits for both periods.

For the subsidiary registered in Macau, Macau Complementary Income Tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 for both periods.

For subsidiary registered in China, under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	<u>3,354</u>	<u>3,367</u>
Other staff costs:		
— Salaries, allowances and other benefits	21,952	18,263
— Retirement benefits scheme contributions	<u>1,052</u>	<u>711</u>
	<u>23,004</u>	<u>18,974</u>
Total staff costs	<u>26,358</u>	<u>22,341</u>
Auditor's remuneration	860	811
Cost of inventories recognised as expenses	4,234	9,289
Depreciation of property, plant and equipment	25,771	27,165
Depreciation of right-of-use assets	<u>1,590</u>	<u>1,556</u>

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>7,367</u>	<u>108</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>864,000,000</u>	<u>864,000,000</u>

No diluted earnings per share are presented for both periods as there were no potential ordinary shares in issue.

Note: The calculation of the basic earnings per share for the both periods were based on the profit attributable to the owners of the Company using the weighted average number of ordinary shares in issue during both periods.

10. DIVIDEND

No dividend were proposed and paid for the six months ended 30 September 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Lease receivables from:		
— outsiders	53,528	43,501
— a related company (<i>note</i>)	212	212
Less: Allowance for credit loss	<u>(21,009)</u>	<u>(12,838)</u>
	<u>32,731</u>	<u>30,875</u>
Trade receivables from contracts with customers	5,963	1,616
Less: Allowance for credit loss	<u>(692)</u>	<u>(216)</u>
	<u>5,271</u>	<u>1,400</u>
Other receivables	209	98
Value added tax recoverable	–	1,694
Rental deposits paid	650	650
Other deposits and prepayments	<u>3,086</u>	<u>5,351</u>
	<u>41,947</u>	<u>40,068</u>
Analysed as:		
Current	40,842	36,963
Non-current — Prepayment and deposits paid for acquisition of property, plant and equipment	455	2,455
Non-current — rental deposits paid	<u>650</u>	<u>650</u>
	<u>41,947</u>	<u>40,068</u>

Note: A related company is a company in which Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina have beneficial interest.

The Group allows an average credit period of 0 to 90 days to its leasing customers and an average credit period of 0 to 90 days for trading customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Lease receivables and trade receivables that are neither past due nor impaired are due from creditworthy customers.

The following is an aged analysis of lease receivables and trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Within 30 days	22,264	11,930
31 to 60 days	4,562	10,264
61 to 90 days	5,127	4,030
91 to 180 days	4,080	3,265
Over 180 days	1,969	2,786
	<u>38,002</u>	<u>32,275</u>

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables (<i>note</i>)	18,123	20,748
Accrued expenses	11,670	12,034
Other payables	2,266	2,057
	<u>32,059</u>	<u>34,839</u>

Note: As at 30 September 2022, included in trade payables is HK\$3,224,000 payable to a shareholder of the Company (as at 31 March 2022: HK\$7,029,000). Except for a trade payable of HK\$3,224,000 (as at 31 March 2022: HK\$7,029,000) carrying on an interest rate of 3.6% per annum and payable by 36 and 32 monthly instalments from 25 March 2020 and 25 June 2020 respectively, other trade payables are under normal credit terms granted by suppliers.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 30 days	1,685	3,491
31 to 60 days	6,074	1,641
61 to 90 days	283	5,551
91 to 180 days	5,453	1,653
Over 180 days	4,628	8,412
	<u>18,123</u>	<u>20,748</u>

The normal credit period on trade payables is ranging from 0 to 180 days (as at 31 March 2022: 0 to 180 days).

13. ISSUED CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 31 March 2022 and 30 September 2022	<u>10,000,000,000</u>	<u>10,000</u>
Issued:		
At 31 March 2022 and 30 September 2022	<u>864,000,000</u>	<u>864</u>

14. LOANS FROM A RELATED COMPANY

The related company is a company in which Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina have beneficial interest.

Loans from a related company are unsecured and interest free, which have the carrying amounts of US\$360,000, equivalent to approximately HK\$2.8 million (as at 31 March 2022) and were settled as at 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group strives to serve our valuable customers better with the provision of the equipment rental-related solutions and value-added services. For the six months ended 30 September 2022 (“**1H2023**”), the Group recorded a net profit, which amounted to approximately HK\$7.4 million (for the six months ended 30 September 2021 (“**1H2022**”): net profit amounting to approximately HK\$0.1 million). The significant increase of net profit is mainly attributable to the net effect of:

1. significant increase in leasing income of equipment from approximately HK\$46.5 million in 1H2022 to approximately HK\$58.2 million in 1H2023 and income from equipment operating services by providing equipment operators from approximately HK\$5.2 million in 1H2022 to approximately HK\$8.7 million in 1H2023 due to increase in demand on leasing of equipment from the construction works and from event related business;
2. the receiving of government subsidies from the governments of Hong Kong (approximately HK\$2.1 million) and Macau (approximately MOP0.5 million which was equivalent to approximately HK\$0.5 million) related to the Covid-19 pandemic in 1H2023 (1H2022: Nil), which represent the wage subsidies provided by the governments of Hong Kong and Macau for supporting the employment and helping business tide over financial difficulties due to the Covid-19 pandemic;
3. significant increase in impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net (“**ECL Provision**”) to approximately HK\$8.6 million in 1H2023 (1H2022: Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net, approximately HK\$0.2 million) due to increase in ECL Provision made under individual assessment for some accounts related to the customers working for projects on the third runway of Hong Kong International Airport and under collective assessment for remaining customers due to the increase in expected default risk, which might be caused by the increase in interest rates and inflation rates globally; and
4. increase in salary and wage for operators of approximately HK\$2.2 million in 1H2023 as compared to 1H2022 due to increase in income from equipment operating services.

For 1H2023, the Group recorded revenue of approximately HK\$83.6 million, representing an increase of approximately 22.0% as compared to that of approximately HK\$68.5 million for 1H2022. For 1H2023, the Group recorded gross profit of approximately HK\$26.7 million, representing an increase of approximately 170.7% as compared to that of approximately HK\$9.9 million for 1H2022. The gross profit margin for 1H2023 was approximately 31.9% (1H2022: approximately 14.4%). Please refer to the section headed “Financial Review” of this announcement for further details of the Group’s performance in 1H2023. The performance of the Group in 1H2023 reflects the importance of the equipment rentals and the provision of related value-added services.

Profit attributable to owners of the Company was approximately HK\$7.4 million in 1H2023 (Profit attributable to owners of the Company in 1H2022: approximately HK\$0.1 million).

Basic earnings per share attributable to owners of the Company for 1H2023 was HK0.85 cent (Basic earnings per share attributable to owners of the Company for 1H2022: HK0.01 cent).

BUSINESS OVERVIEW

During 1H2023, the equipment demands on leasing of equipment from the construction works increased significantly. The net increase in demands was mainly due to: (i) the orders in Kai Tak area, including but not limited to the Kai Tak Sports Park project (the “**Kai Tak Area**”); (ii) the orders for the construction and operation of the community isolation facilities, which were built and operated by the Hong Kong government with the central government’s support due to the outbreak of the Covid-19 pandemic in 2022; (iii) the orders in Trunk Road T2 and Cha Kwo Ling Tunnel and Central Kowloon Route (a highway project under construction that runs through the Kowloon Peninsula, which is largely underground) (the “**T2-CKR**”); and (iv) the decrease in demand in the third runway project of Hong Kong International Airport (the “**Third Runway**”) in 1H2023 when comparing with 1H2022. For the Third Runway, the construction work for the third runway is approaching completion but the demands for the provision of power are increasing in the construction works of the passenger terminal (“**PT-HKAP**”). The overall market sentiment of the construction industry in Hong Kong in 1H2023 continues to be affected by the pandemic and the increase in the fuel price due to the Russia-Ukraine military conflict. Nevertheless, the Group still increased its business activities for providing better and comprehensive solutions in the provision of power to the market using the concept of the Smart System in Mobile Electricity (“**SSME**”) through the Company’s indirect wholly-owned subsidiary, AP Power Limited (“**AP Power**”). This aims at increasing the professionalism of the Group’s services in leasing and provision of solutions to the market, which will ultimately increase its revenue and profitability.

For the trading business and disposal of leasing equipment, the Group recorded a decrease in revenues and disposal proceeds as it sold and disposed of smaller machines when comparing with those in 1H2022.

For Macau, the demands in leasing equipment decreased and so the leasing revenue of AP Equipment Leasing and Engineering Limited (“**AP Macau**”) decreased when compared to that of 1H2022 due to the effect of the Covid-19 pandemic in 2022.

For Singapore, AP Equipment Rentals (Singapore) Pte. Limited (“**AP Singapore**”) recorded increase in revenues in leasing of equipment and operating service income in 1H2023 because the construction industry in Singapore is recovering due to the booming of its economy in 1H2023.

For the PRC, due to the debt crisis triggered by some giant property developers and the effect of Covid-19 pandemic in 2022, AP Rentals (Shanghai) Limited*, (“**AP Shanghai**”), an indirect wholly-owned subsidiary of the Company, has recorded a decrease in the revenue from leasing of the equipment. However, AP Shanghai was also focusing on disposing of its equipment locally and overseas in 1H2023.

For details, please refer to the section headed “Financial Review” of this announcement.

OUTLOOK

The effect of the Covid-19 pandemic is fading out in Hong Kong but is still affecting the economy of each of Macau and the PRC.

In Hong Kong, the Group’s leasing business will still be focusing on its mobile power supplies and its related services with SSME concepts and the demands in key projects, namely, the Kai Tak Area, the T2-CKR, the PT-HKAP, the development of Lok Ma Chau Loop (it is one of the ten major infrastructure projects for economic growth announced by the Chief Executive of the Hong Kong Special Administrative Region of the People’s Republic of China (“**HKSAR**”) in his Policy Address made in 2007). AP Power will be one of the engine rooms of the Group in developing its business related to the provision of comprehensive solutions on power supplies to its customers in Hong Kong in the second half of the financial year ending 31 March 2023 (“**2H2023**”). Furthermore, the Group will increase its event business after the epidemic has subsided in Hong Kong. For instance, the Hong Kong Brands and Products Expo 2022 will commence in the coming December. In addition, it was stated in the Chief Executive’s 2022 Policy Address of the HKSAR that there will be measures in Hong Kong to cope with the city’s public housing shortage by introducing 30,000 new “Light Public Housing” in the next five years, which will definitely create more demands in construction works in coming years.

* *For identification purposes only*

In Macau, AP Macau will still continue to focus on government related work so as to increase the leasing revenues in the coming months.

For the PRC, the Group will closely monitor the effects of the debt crisis related to the construction industry and the Covid-19 pandemic in the PRC in coming months. In order to improve the revenues and cash inflow of AP Shanghai, the Group will try to increase the machinery sales and dispose more of its leasing equipment.

The economy in Singapore is booming. The Group would try its best to maintain the increasing trend in its revenues and may consider making further investment in the leasing equipment of AP Singapore so as to cater for the increasing demands in Singapore in 2H2023.

Lastly, the Group will also try to increase its revenues in machinery trading and disposal locally and in the overseas in 2H2023.

FINANCIAL REVIEW

Revenue

For 1H2023, the Group recorded an increase in revenue of approximately HK\$15.1 million, with the total revenue amounting to approximately HK\$83.6 million for 1H2023, representing an increase of approximately 22.0% as compared to that of approximately HK\$68.5 million for 1H2022. The increase in revenue mainly resulted from the increase in all segments of business of the Group except for the sales of machinery.

(i) Leasing of equipment

During the period under review, the Group's leasing income from rental services, which involved the rental of construction, electrical and mechanical engineering and event and entertainment equipment in Hong Kong, Macau, the PRC and Singapore, increased to approximately HK\$58.3 million in 1H2023 as compared to that of approximately HK\$46.5 million in 1H2022.

As mentioned above, the revenue attributable to the Group's rental business in Hong Kong increased in 1H2023 due to the net increase in demands from the construction work as disclosed in the section headed "Business Overview" of this announcement.

Leasing income of equipment accounted for approximately 69.7% of the Group's total revenue for 1H2023 (1H2022: approximately 67.9%).

(ii) Operating service income

The Group offers equipment operating services in Hong Kong by providing equipment operators to operate the equipment at the job sites of its customers. For 1H2023, revenue from equipment operating services increased by approximately 66.9% to approximately HK\$8.7 million (1H2022: approximately HK\$5.2 million), and accounted for approximately 10.4% of the Group's total revenue for 1H2023 (1H2022: approximately 7.6%).

(iii) Other service income

The Group's other service income, which arises from rental arrangements including repair, maintenance, transportation and technical support services during the rental period, recorded an increase and amounted to approximately HK\$5.4 million for 1H2023 (1H2022: approximately HK\$3.0 million). The Group's other service income accounted for approximately 6.5% of the Group's total revenue for 1H2023 (1H2022: approximately 4.4%). The increase was mainly contributed by the increase in transportation income and repairing and service incomes.

(iv) Sales of machinery and spare parts

The revenue from sales of machinery and spare parts decreased by approximately 18.7% from approximately HK\$13.7 million for 1H2022 to approximately HK\$11.2 million for 1H2023 mainly due to the decrease in sales of machinery despite the fact that the Group still recorded large increase in the sales of spare parts because the Group is devoting more effort in the business of leasing equipment in 1H2023.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$56.9 million for 1H2023, representing a period-on-period decrease of approximately 3.0% (1H2022 approximately HK\$58.6 million). Cost of sales and services mainly comprised machinery hiring expenses, staff costs for the Group's equipment operators, technicians and truck drivers, costs for machinery and parts for trading and depreciation.

The Group has increased its investment on leasing equipment through purchases and transferred its stock machinery to leasing equipment amounting to approximately HK\$38.9 million in 1H2023. However, the Group has also disposed of some leasing equipment with lower utilisation rates during 1H2023 and some equipment have been fully depreciated in 1H2023, so the depreciation cost in 1H2023 decreased by approximately HK\$1.2 million. Staff costs under the cost of sales and services increased by approximately HK\$2.5 million mainly due to the increase in number of operators for operating the leasing equipment since the demand for operating service increased in 1H2023. Costs for machinery and parts decreased by approximately 54.4% due to the decrease of revenue in machinery trading in 1H2023.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 170.7% from approximately HK\$9.9 million for 1H2022 to approximately HK\$26.7 million for 1H2023 and the Group's gross profit margin was approximately 31.9% for 1H2023 (1H2022: approximately 14.4%). The increase in gross profit margin was mainly due to: (i) the increase in gross profit margin in machinery trading and parts sales in 1H2023; and (ii) the increase in revenue of the leasing of equipment while the relevant depreciation expense was reduced in 1H2023.

Other Income

The Group recorded other income amounting to approximately HK\$2.9 million in 1H2023 (1H2022: approximately HK\$0.5 million), which represented an increase of approximately 517.8% from 1H2022. The increase was due to the receiving of government subsidies from the governments of Hong Kong and Macau related to the Covid-19 pandemic in 1H2023 amounting to a total of approximately HK\$2.6 million (1H2022: Nil), which represent the wage subsidies provided by the governments of Hong Kong (in the amount of approximately HK\$2.1 million) and Macau (in the amount of approximately MOP0.5 million which is equivalent to approximately HK\$0.5 million) for supporting the employment and helping business tide over financial difficulties due to the Covid-19 pandemic.

Other Gains and Losses

Other gains and losses amounted to approximately HK\$7.1 million in 1H2023 (1H2022: approximately HK\$6.5 million), representing an increase of approximately 9.5% over 1H2022. The Group recorded exchange gains of approximately HK\$1.5 million in 1H2023 (1H2022: approximately HK\$0.1 million), which was caused by the depreciation of Japanese Yen and Euro against Hong Kong Dollar recorded in account payables in 1H2023. The Group also recorded a decrease in gain on disposal of property, plant and equipment from approximately HK\$6.4 million in 1H2022 to approximately HK\$5.6 million in 1H2023 due to the decrease in disposal proceeds received in disposal of equipment in 1H2023.

Impairment Losses under Expected Credit Loss Model Recognised on Lease Receivables and Trade Receivables, Net and the Impairment Losses Recognised on Property, Plant and Equipment, Net

As at 30 September 2022, the receivables of the Group has increased and the expected default risk has also increased due to the increase in interest rates and inflation rates globally. The ECL Provision for the Group increased to approximately HK\$8.6 million in 1H2023 (1H2022: reversal of ECL Provision of approximately HK\$0.2 million). For detail, please refer to the section headed “Group Overview” of this announcement.

The Group has also recognised impairment losses on property, plant and equipment, net in 1H2023 amounting to approximately HK\$1.8 million (1H2022: Nil) due to the damage of specified machines.

Administrative Expenses

For 1H2023, administrative expenses amounted to approximately HK\$17.8 million (1H2022: approximately HK\$16.6 million), representing an increase of approximately 7.1% over that of 1H2022. The increase in administrative expenses was mainly due to the increase of salary (annual review and promotion) of the staff of the Group.

Selling and Distribution Expenses

For 1H2023, selling and distribution expenses amounted to approximately HK\$0.3 million (1H2022: approximately HK\$0.3 million).

Finance Cost

Finance costs mainly comprised interest on the Group’s borrowings, finance leases and trade payables to 株式会社力ナモト (Kanamoto Co., Ltd*), a shareholder of the Company and strategic partner of the Group. The interest expense was mostly due to bank borrowings.

Profit and Total Comprehensive Income for 1H2023

The Group recorded profit attributable to owners of the Company of approximately HK\$7.4 million for 1H2023 (1H2022: profit attributable to owners of the Company of approximately HK\$0.1 million), representing a profit margin of approximately 8.8% (1H2022: profit margin of approximately 0.2%). The increase in profit attributable to owners of the Company in 1H2023 was due to the reasons stated under the section headed “Group Overview” of this announcement. The total comprehensive income for 1H2023 was approximately HK\$5.8 million (1H2022: total comprehensive income of approximately HK\$0.4 million).

* For identification purposes only

Capital Expenditure

The Group's capital expenditures in 1H2023 primarily comprised expenditures on leasing machinery, vehicles, office equipment and leasehold improvements, amounting to a total of approximately HK\$33.2 million (for the year ended 31 March 2022: approximately HK\$66.3 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned rental fleet, which accounted for approximately 98.6% of the total capital expenditure of the Group for 1H2023.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations, borrowings and finance leases. As at 30 September 2022, the Group had bank balances and cash equivalents of approximately HK\$54.6 million (as at 31 March 2022: approximately HK\$55.7 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen, Euro, Macau Pataca ("MOP"), Singapore Dollars, United States Dollars and Chinese Yuan, and had borrowings and obligations under finance leases of approximately HK\$26.8 million (as at 31 March 2022: approximately HK\$27.7 million) that were denominated in Hong Kong Dollars.

As at 30 September 2022, the Group had banking facilities of approximately HK\$79.0 million (as at 31 March 2022: approximately HK\$74.7 million), of which approximately HK\$33.0 million (as at 31 March 2022: approximately HK\$27.7 million) had been drawn down, and approximately HK\$46.0 million (as at 31 March 2022: approximately HK\$47.0 million) were unutilised.

As at 30 September 2022, the gearing ratio of the Group was nil (as at 31 March 2022: nil), which was calculated based on the net debt divided by total equity. Net debt is defined as the sum of the interest bearing liabilities, which include borrowings, obligations under finance leases, loan from a related company, bank overdraft, lease liabilities and trade payables carrying on an interest rate of 3.6% per annum, minus the cash and cash equivalents.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from operations and borrowings.

Foreign Exchange Risk

Certain transactions of the Group are denominated in currencies which are different from the functional currencies of the Group, namely, Hong Kong Dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its purchases from suppliers are generally denominated in Hong Kong Dollars, Japanese Yen, Euro, Singapore Dollars, Chinese Yuan and United States Dollars. Payments received by the Group from its customers are mainly denominated in Hong Kong Dollars, MOP, Singapore Dollars, Chinese Yuan and United States Dollars.

The Group does not have a foreign currency hedging policy. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

Contingent Liabilities

As at 30 September 2022, the Group had no material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies and Joint Ventures

There were no material acquisitions or disposal of subsidiaries, associated companies and joint ventures during 1H2023.

Significant Investments

As at 30 September 2022, the Group did not have any significant investments.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As at 30 September 2022, the Group had capital commitments of approximately HK\$5.0 million (as at 31 March 2022: approximately HK\$22.5 million) to acquire leasing equipment for the Group.

The acquisition of leasing equipment will be funded by the Group's internal resources and the banking facilities.

Pledge of Assets

As at 30 September 2022, deposit placed for a life insurance policy of approximately HK\$3.0 million (as at 31 March 2022: approximately HK\$2.9 million), leasing equipment of approximately HK\$6.1 million as at 30 September 2022 (as at 31 March 2022: approximately HK\$6.9 million), and bank deposits of approximately HK\$0.4 million (as at 31 March 2022: approximately HK\$0.4 million) have been pledged to secure the Group's borrowings of approximately HK\$19.7 million (as at 31 March 2022: approximately HK\$23.6 million). Furthermore, leasing equipment of approximately HK\$2.5 million as at 30 September 2022 (as at 31 March 2022: Nil) has been pledged to secure the Group's obligations under finance leases of approximately HK\$2.6 million (as at 31 March 2022: Nil).

Segment Information

Segment information is presented for the Group as disclosed in note 3A and 3B to the condensed consolidated interim financial information above.

Human Resources and Employees' Remuneration

As at 30 September 2022, the Group had 136 employees (as at 31 March 2022: 130 employees), of which 125 employees were in Hong Kong (as at 31 March 2022: 120 employees), 4 employees were in Macau (as at 31 March 2022: 4 employees), 4 employees were in Singapore (as at 31 March 2022: 3 employees) and 3 employees were in PRC (as at 31 March 2022: 3 employees). Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also provides medical insurance, makes contributions to provident funds and provides other benefits to the employees. The total staff cost including remuneration, other benefits and contributions to retirement schemes for the directors of the Company and other staff of the Group for 1H2023 amounted to approximately HK\$26.4 million (1H2022: approximately HK\$22.3 million). The increase in staff cost was mainly due to the increase in headcount of operators, promotion of some staff and annual salary review of staff.

The Group's technical staff attend seminars jointly conducted by manufacturers and the Group to acquire product knowledge to ensure they are equipped with the necessary skills and knowledge to perform their duties. Such seminars include training regarding the equipment structures, operational features, operator safety training and equipment repair. In addition to the training jointly conducted by manufacturers and the Group, the Group's technical staff also attend external training courses and obtain relevant certificates.

Share Option Scheme

To attract and retain the most suitable personnel for development of the Group, the Group has adopted the share option scheme (the “**Scheme**”) on 17 March 2016. Share options may be granted to eligible employees of the Group as a long-term incentive. From the date of the adoption of the Scheme and up to 30 September 2022, no share option has been granted or agreed to be granted under the Scheme.

OTHER INFORMATION

Corporate Governance Practices

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

In 1H2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules, save and except for the deviation from code provision C.2.1.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company are both performed by Mr. Lau Pong Sing. The Board believes that vesting of the roles of both chairman and chief executive officer in the same individual provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company’s business strategies which will enable the Company to sustain the development of its business efficiently.

Corporate governance practices of the Company in 1H2023 are in line with those practices set out in the Corporate Governance Report in the Company’s annual report for the year ended 31 March 2022.

Compliance with the Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiries to all directors of the Company regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code in 1H2023.

Purchase, Sale or Redemption of the Company's Listed Securities

In 1H2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Review by audit committee

The unaudited interim results of the Group for 1H2023 and the corresponding accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the year ending 31 March 2023.

Publication of Interim Report

The interim report of the Company for 1H2023 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.aprentalshk.com) in due course.

By Order of the Board
AP Rentals Holdings Limited
Lau Pong Sing
Chairman and Executive Director

Hong Kong, 28 November 2022

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina, one Non-executive Director, namely Mr. Nakazawa Tomokatsu and three Independent Non-executive Directors, namely Mr. Ho Chung Tai, Raymond, Mr. Siu Chak Yu and Mr. Li Ping Chi.